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IN THIS ISSUE

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COMMONWEALTH DIGEST

and WORLD ECONOMIC REVIEW



Digest Spotlight

on

The Earl of Cromer
Governor of the Bank of
England

Also in this issue :

**UNITY OF THE
COMMONWEALTH**

THE MEANING OF ACCRA

**ROUBLE CONVERTIBILITY
AND GOLD**

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COMMONWEALTH DIGEST

and

WORLD ECONOMIC REVIEW

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NOVEMBER 1961

VOLUME 2

No. 10

Digest Spotlight focuses on

The Earl of Cromer

Governor of the Bank of England

LORD CROMER has just succeeded to the important post of Governor of the Bank of England at the early age of 43. It is interesting that so young a man has taken over a key post in the economic life of Britain at this stage in our history. For there is no doubt that vast changes are in the air in the sphere of economic and monetary policy.

It is important therefore to know the views of the new Governor, and his recent speech at the Mansion House on the occasion of a Dinner given by the Lord Mayor to the Bankers and Merchants of the City of London gives an indication that a welcome breath of reality is blowing through the corridors of the "Old Lady of Threadneedle Street".

Lord Cromer said in his speech "Increases in money profits or money incomes only represent increases in real wealth if the increased money is matched by an equivalent increase in goods or services. Otherwise the increase in money, be it in profits or be it in incomes, merely means paying more money for the same goods. This cannot be widely

enough understood. For external and internal reasons alike, therefore, I place the greatest possible importance on the stability of the currency. I believe firmly that we should seek the attainment of a steadily rising standard of living, based on an orderly monetary foundation which alone can safeguard the interests of all sectors of the community."

This seems a far cry from the days when Mr. Montagu Norman held sway at the Bank of England, the days of the modified gold standard of the 1920's and the suffering and disillusionment of the years of deflation with its unemployment and misery. It also, by inference condemns the policies of inflation which have been followed since 1945, with the attendant dilution in the value of money. If we can get the idea fairly established of the relationship between money and goods which Lord Cromer stressed so clearly, a saner and more scientific approach to our monetary problems will at long last become practical politics.

Lord Cromer went on to say "If we are to maintain our present stan-

dard of living, let alone improve it, we have to work for it and not against it. There are, I believe, a number of factors working against it, stemming in part from our national tendency to revere the past to an excessive extent, to hanker after the good old days or to use our energies to fight evils and abuses, many happily long disappeared, of the bad old days. Are there not still many outdated customs and practices in industry which owe their origin to mitigating the dire hardships of the years of depression between the wars, but which today only result in limiting the advance in the standard of living? Is it perhaps not possible that the overall level of Government expenditure today has grown to levels that the population as a whole is not willing to support by forgoing personal consumption to the extent necessary? Is our system of taxation matched to the present needs of the nation? Are the money rates we have seen in this country in recent years the most appropriate to achieving the rate of progress we would like to see? Are we saving enough? Is the high level of Government expenditure overseas not perhaps based more on our Imperial past than tailored to our changing position in the world or the need to confine financially unremunerative expenditure overseas to what, as a nation, we are prepared to earn overseas? Do the remnants of the "siege" economy which remain with us from the last war make any positive contribution to our good or merely restrict our earning capacity?

These are some of the questions that are crossing my mind in my first few months of office. These are only some of the questions that we have to find an answer to in the breathing space we have obtained."

A member of the Baring family, Lord Cromer was born in 1918. He went to Eton and Trinity College, Cambridge. In the war of 1939-45 he served in the Grenadier Guards. Following the war he went to New York where he was with J. P. Morgan & Co. and Kidder Peabody & Co. From 1947 to 1958 he was Managing Director of Baring Brothers & Co. Ltd.

In 1958, he was granted leave to take up an appointment as Head of the Treasury Delegation and British Economic Minister in Washington. His appointments included U.K. Executive Director of the International Monetary Fund, the International Bank for Reconstruction and Development and the International Finance Corporation.

His travels have taken him to many parts of the world including South America, Australia and New Zealand and he went to Brazil in 1954 as a member of the Inter-Parliamentary Mission.

When he returned to Britain in January 1961 the Queen was pleased to approve his appointment to the Court of the Bank of England as a part-time director. He took over the Governorship on 1st July, 1961.

We shall await Lord Cromer's further pronouncements with the keenest interest. For upon a satis-

continued on page 293

Round the Commonwealth

(1) SWAZILAND RAILWAY AND RHODESIAN FUTURE

Specially contributed by M. MORTIMER

SWAZILAND is a small country: about the size of Wales with the population of Cardiff. As a High Commission Territory it stagnated quietly until the war, when its European population soared by 85% . . . (to nearly 10,000). Colonial development became politically fashionable and therefore economically feasible.

This factor together with recent political developments in East and South Africa gives considerable significance to the quiet announcement that Swaziland's first railway (about 140 miles) is to be constructed. Together with the extension of the existing line from Goba in Mozambique to the Swaziland border, by the Portuguese Government, it will provide a rail link between the iron ore deposits at Bomvu Ridge near Mbabane and the Port of Lourenco Marques. Credit for pushing this development must lie with the late Sir Ernest Oppenheimer, Sir Arthur Griffin of Rhodesian Railways, the Chairman of the CDC and Sir John Maude, High Commissioner of Swaziland. The construction of the railway has been related to finding markets for the iron ore, and a contract (signed September 25th) has been arranged between the Swaziland Iron Ore Development Company Ltd. and the Yawata Iron and Steel Company Ltd. in Japan for the sale of 12 million long tons of high

grade ore from Ngwenya. The contract, the total value of which is expected to approach £40 million is for a period of approximately ten years.

It is anticipated that deliveries will start in 1964 and that the ore will be sold fob Lourenco Marques, where a metal wharf is to be constructed and the harbour deepened from about 29 to 35 foot, in order to take the three 65,000 ton freighters which Bergsons of Oslo are constructing for the shipper, Hugo Neu of New York (the international metal brokers which has been concerned with developing Japanese markets since the war.

Provision of capital

The Companies of the Anglo-American Corporation, together with the CDC and de Beers are playing an all important part in the provision of capital for the railway. (Anglo-American, whose consolidated profits in 1960 were nearly £8 million, is concerned with over 120 companies in South Africa, Rhodesia and Nyasaland, as well as prospecting in other parts of Africa.) Of the total cost of £9 million these are lending £6 million, the rest to be provided by contractor finance. It is anticipated that the railway debt will be repaid in the uniquely short period of 18 years. Royalties on

profits, of which a substantial proportion will go to Swaziland, will be the 2½% as laid down by statutory law. Anglo-American is likewise responsible for the formation of the Swaziland iron ore development company (the CDC is to participate in its equity), and for technical advice on the specialized field of iron ore invited Guest, Keen and Nettlefold to become partners.

Credit for the discovery of the deposits belongs to the Geological Survey of Swaziland, which after first tentative discovery in 1944, has established the existence of some 40 million tons of iron ore of high quality, and indicated further possibilities. To meet the costs of mining development the Company's capital is being increased from a nominal figure to £3½ million.

Technically, the new Swazi railway will be owned by the Government and the High Commissioner proposes to establish by proclamation a Railway Board which will be responsible for the Swazi section. The exact composition of the Board is not yet clear but it is expected to include representatives of Swazi and local European interests as well as of the principal users of the railway. Rhodesian rail experts are being asked for advice on the construction before the Board calls for tenders, which will be limited to British and South African offers. The Swaziland Paramount Chief is being kept informed of each stage in development, and apart from royalties, very considerable benefits are expected to accrue to the Swazi nation in terms

of social services, employment, training for skilled jobs and the accelerated transition to a cash from a subsistence economy. Socially speaking it means employment within Swaziland, a more healthy situation than the exportation of male labour to the Union. (In Basutoland as much as 43% of the male population crosses the border.) It should also ease the present burden on the British taxpayer and possibly on local European enterprise such as the Havelock Asbestos Mine at Piggs Peak, which was responsible for nearly half the country's total exports of £4 million in 1959.

Two wider aspects of the proposed Swazi railway need evaluation, for it is not merely a matter of economic prosperity, it concerns the whole political future of the country and its relationship with East, South and Central Africa.

Homogeneous population

Swaziland is fortunate, unlike the people of many African lands, in having a homogeneous population united under a paramount chief. Fundamental political disunity is therefore unlikely. The Swazi problem lies in the relationship of European immigration to economic viability, since the achievement of the latter (estimated at about seven years from now) depends on the existence of the other. Moreover, nearly half the land is under European ownership (1.9 million acres as against 2.4) which lies in a patchwork right over the country. All the major advances

in mining, forestry, agriculture, irrigation, commerce, industry and urbanization have taken place in four main European zones centred round Piggs Peak, Bremersdorp (to be henceforth known as Manzini), Eranchi, and Usutu. Apart from asbestos, sugar, fruit and cattle, the most spectacular development has been the CDC afforestation of Usutu. Over £3 million have been expended since 1948 to develop 95,000 acres of pine which grows three times faster than in northern climes. In partnership with Courtaulds a pulp mill with a maximum output of 100,000 tons of pulp is being established, for export to Britain and Europe. Given this economic potential and the possibility of markets created by the railway together with the present political cohesion, the present constitutional talks going on between Swaziland, the British and South African Governments, have a reasonable chance of creating a stable and independent country, provided that racial relationships do not sour.

Political links

External relationships may be more complicated. With the present political trends in South Africa it is unlikely that Swaziland could be persuaded to increase political links with the Union, and much more likely that she will endeavour to strengthen economic links elsewhere, although the Morse Economic Survey of 1960 stressed the geographic pattern of Swazi development within the regional framework. The connection with world markets and East Africa through the railway link to Lour-enco Marques may have considerable political significance in terms of East African changes. Most important is the attitude of Rhodesia. If East Africa falls to the African, the grim lesson of North Africa and Algeria will not be lost in a country whose 'colons' have helped to create Rhodes' dream. In strengthening her links with South Africa, a prosperous and friendly Swaziland with a sympathetic European population and a railway which may be her concern, could be vitally important.

(2) LESSONS OF THE PAST

THE British Government has agreed to negotiate for Britain's entry into the European Common Market and as a result of considerable pressure of public opinion they have agreed to ask for adequate safeguards for Commonwealth trade, agriculture, and EFTA interests. The Prime Minister has undertaken to submit any agreement to Parliament before any final decision is taken. This is good, so far as it goes, but experi-

ence shows that guarantees of this kind can, in the event, go by the board.

The history of the American loan and the Bretton Woods Agreement in 1945 is a case in point. M.P.s of all parties were anxious regarding the outcome of negotiations which had taken place with U.S.A., but were reassured by successive Government spokesmen who promised that a full debate on the Bretton

From The Monthly Bulletin, Commonwealth Industries Association

Woods Agreement would be arranged before any final decisions were taken. These assurances were repeated many times by both Conservative and Labour leaders, but, in spite of this, the Bretton Woods Agreement was never debated in Parliament at all. A few days after the texts were made available, a two-day debate on the Washington Loan Agreement took place. When this was accepted, the Bretton Woods Agreement was automatically agreed.

It should be recalled that by going into this agreement, we virtually eliminated Imperial Preference, we agreed to abolish the sterling area, we were forbidden to discriminate in our sources of supply of imports, thus, forcing us to cut imports from Commonwealth and Empire sources, even though they were willing and anxious to accept payment in sterling. Thus we were debarred from helping Colonial territories by assuring them of markets. Thus, also, supreme economic power over every country outside the Soviet bloc was handed over to the U.S.A., and the first fatal step had been taken.

The melancholy history of the subsequent years, with the failure to insist on amendments to GATT to allow us to promote intra-Commonwealth trade by increasing or introducing new preferential rates of duty, in spite of representations from many influential quarters, is now on record. We are reaping the reward.

New Zealand

A more recent experience may

serve to underline this warning. New Zealand has resisted all attempts over the years to persuade her to join the International Monetary Fund. The recently elected New Zealand Government has now sought entry into this body. No mention of this move had been made during the New Zealand General Election campaign; it was thought to be a dead letter as far as New Zealand was concerned. Shortly after their return to power, the New Zealand Government wrote to the IMF to seek their terms for allowing New Zealand's entry. When this was announced, a very considerable body of public opinion was shown to be bitterly opposed to the proposal. The New Zealand Government gave assurances that they were merely making an exploratory request and said that they had no intention of joining the IMF without the fullest opportunity for debate both inside and outside Parliament. In the event, opposition was stifled. The N.Z. Government railroaded the measure through Parliament. It would be very interesting to know what pressures were brought to bear to make this development possible in a democratic country like New Zealand.

In its editorial, a well-known New Zealand journal commented, "The economic consequences of such a momentous step will bear upon the future welfare of every New Zealander. But New Zealanders apparently are not to be consulted. This is exercise of power that is but a step removed from political dictatorship."

Again?

Is it significant that on the day following the United Kingdom Government's announcement that they would apply for membership of the E.E.C., the International Monetary Fund promptly approved the credit of two thousand million dollars' worth of foreign currency?

Having now made their decision, the British Government have made application to join the Common Market. Negotiations will shortly be started to see if satisfactory arrangements can be made to meet Britain's special interests. Reports from Europe indicate that there are some considerable reservations about

accepting Britain's application as it is felt that the result may be to slow down plans for closer integration. It may prove impossible, therefore, to obtain the safeguards which the Prime Minister has agreed are essential.

If this happens, then we must be aware of history repeating itself. Any attempt to force through an agreement with such far-reaching consequences without full debate must be resisted. M.P.s must be left free to vote in accordance with their beliefs rather than as the party whips dictate. The issues involved must be properly understood by Parliament and people before any final decision is made.

Taxes and Growth in U.S.A.

THE real question is not whether we can afford tax reform but whether we can afford to postpone it any longer. We have been fortunate in the willingness of our people to bear heavy tax burdens. But the voluntary system of tax reporting and payment on which we rely can work only so long as the citizen believes that it is basically fair and equitable. Yet, increasingly, thoughtful people are coming to share the view, expressed crisply in *The Saturday Evening Post* for July 15:

... anyone who believes that the income-tax laws as they now are applied are simple, logical, or equally fair to all, is naive to the point of idiocy. The world's most efficient taxing system is actually a fantastic tangle of inequities and

special preferences, and every year disenchanted taxpayers in greater numbers are becoming aware that this is so. By any standard which may be applied in determining what makes a tax system good or bad—its fairness, its effect on the economy, the adequacy of the revenue it provides, its ease of administration and compliance—our present taxing process is full of structural faults.

Closing the so-called tax loopholes might seem to be the one answer to the problem. But this ignores the fact that the reliefs were sought and granted by Congress as essential escapes from over-repressive tax rates. Close them down tight and we risk suffocating the economy.

Even spokesmen for organized

From First National City Bank Monthly Letter

labour groups, while placing major stress on closing "tax loopholes", have swung over to recognition that the progression of personal income taxes is over-rapid. Pointing out that "it is clear that these high rates have been a major factor working to open new loopholes and to widen existing ones," Peter Henle, assistant director of research for the AFL-CIO, told the Ways and Means Committee in 1959 that: "It would therefore be sensible and realistic to consider reductions in the upper income tax rates." Professor Stanley Surrey, foe of "loopholes" and now Assistant Secretary of the Treasury in charge of tax matters, suggested at the same hearings "a reduction in the top rates of tax to 70 per cent or 65 per cent."

A silly business

With the economy forced to gasp for breath through "loopholes", it is no wonder that so many people find our rate of economic growth inadequate. Proposals to spur growth by government spending simply evade the fundamental issue. Big spending programmes would require or threaten even higher taxes, compounding the basic problem and raising the question of whether the economy can maintain its growth rate, not to mention increase it. It is a little silly, as Elliott V. Bell, editor of *Business Week*, has said, to "put ourselves in the ridiculous position of spending simply to get back into circulation money that an unduly severe tax system has taken away from consumers and investors."

It is high time we realized that the biggest single obstacle to growth is an over-repressive tax system. Abroad, tax reliefs have become a principal means of re-energizing some of the fastest-growing nations in the world. Most spectacular, perhaps, is the rise of Germany from a position of near collapse after World War II to a major place in the world economy. Back in 1950, Germany acted against the wishes of American advisers and decided instead to bring down tax rates and rely on this to stimulate the energies of its people toward the creation of more goods and wealth. What resulted is commonly called the German "miracle".

The top German personal income tax rate is now 53 per cent. With our rates running up to 91 per cent, how much more reason do we need to get our rates down. Our income tax long ago ceased to be a burden solely for the "rich". Income levies are generally frustrating the aspirations of millions of people to enjoy the satisfaction of accumulating pools of capital under their own control.

As incomes rise over the years, the average man is going to be pushed into tax brackets which he never dreamed would apply to him. Mere continuation of the 1959-60 rate of growth in average income, for example, would put the average family head in the 34 per cent tax bracket within 25 years. A successful, unattached individual, without the relief of income splitting or extra exemptions, would, of course, pay even higher rates.

Amid all the talk of government action to spur growth, we would do well to bear in mind that the American living standards which have set an example to the world were not created by government. The well-being of a nation stems from the energy and efforts of its people working to create better lives for themselves and their children. Recogni-

tion of this time-tested truth was the key to our success in the past. It can serve us equally well in the years ahead. What we need is the adoption of tax reforms to create an atmosphere of forward-looking optimism. Growth of effort and capital will take care of the growth of the economy.

Rouble Convertibility and Gold

By OSCAR L. ALTMAN

THE Soviet Union has for a long time declared its aim to make the rouble a key international currency, and even, as a measure of socialist competition, a currency stronger than the dollar. It has referred on numerous occasions to its aim of acquiring international prestige for the rouble. This aim is associated with the prospect of making the rouble convertible. In these statements, the gold "connexion" of the rouble is always emphasized. Indeed, it may be that the Soviet Union will, in relation to such moves, at some stage release data on its gold production and holdings.

Any speculation about the character of a convertible rouble, or of a gold rouble, or of a convertible rouble backed by gold, must start from the basic fact that the significance of the word "convertible" is quite different in the Soviet system from its significance in the capitalist system. But, whatever the conditions under which the rouble might be made convertible into other

currencies at fixed rates, it is highly unlikely that the Soviet Union would make the rouble freely convertible into goods. Here the question is what goods a foreigner may buy with roubles, and what prices, terms and conditions may be applicable to such purchases. In effect, a holder of roubles can buy only what the Soviet Government wishes to sell, while a holder of dollars, sterling, or any other international currency can buy anything (with certain strategic exceptions) at the prevailing price. The Soviet authorities certainly do not intend to coin any substantial amount of gold into roubles, either for domestic circulation or for export. The establishment of a convertible rouble would imply a belief that foreigners were willing to accept payment in roubles and to hold deposit balances in roubles.

Advantages

Rouble deposits could be created if the Soviet Union ran a balance of payments deficit in roubles and its

From an article entitled "The role of gold in Soviet economy" published in Optima, the Quarterly Review of the Anglo American Corporation

creditors kept these roubles. The Soviet Union could secure genuine advantages from such a development. It would obtain imports by a process equivalent to borrowing at short term, with the prospect of paying little interest on the amount borrowed. It could thus increase its imports without increasing its exports, or alternatively, reduce or eliminate its sales of gold while maintaining its exports unchanged.

Foreigners could, perhaps, be persuaded to hold rouble balances, provided the rouble was convertible, for essentially the same reasons as they now hold dollar or sterling balances. They could build up working balances which would be drawn upon to meet swings in foreign payments and receipts. They could use these balances either to pay for future imports from the Soviet Union or to buy other currencies. Conceivably, these balances could be set up under interest-earning arrangements.

Rouble balances could also be created by short-term capital movements of dollars and other convertible currencies. Deposits denominated in gold roubles could be attracted by competitive rates of interest and strong security against devaluation. If the Soviet Union were to spend the foreign currency equivalent of these rouble deposits, it would, in effect, be the recipient of a short-term loan at a rate of interest that consisted of the rate it had to pay its depositors plus its own handling costs.

At present, these developments

seem to be quite out of the question. Nevertheless, although these operations may sound fantastic now, they are by no means impossible at some future time. It is apparent that these developments offer substantial potential advantages to the Soviet Union, quite apart from questions of prestige and propaganda. They offer the possibilities of acquiring extensive lines of credit at low cost. They offer the possibilities of significant Soviet interventions in Western money markets through the investment and reinvestment of foreign exchange assets. It should be noted in this connexion that several banks in Eastern Europe were among the first depositors of "Euro-dollars", according to the extensive survey published by Holmes and Klopstock entitled "The Market for Dollar Deposits in Europe".

Two key elements

These developments will rest upon two key elements. The first is the gold reserves of the Soviet Union and its rate of gold production; the second is its ability, through state control of foreign trade, to control its balance of payments deficit. Given these two elements, the Soviet Union could easily make the rouble technically convertible into other currencies over a wide area. If, in addition, the Soviet Union became a short-term money market, and accepted rouble deposits denominated in gold, it would achieve further advantages. These deposits could be guaranteed against devaluation of the rouble—that is, they could be

denominated in terms of gold. It is even conceivable that such a gold guarantee might be supported, in whole or in part, by shipments of gold in escrow to such countries as Switzerland. The effect of such an operation would be the same as if the Soviet Union received loans in convertible currencies, tendering gold as collateral.

This, naturally, raises the question why the Soviet Union does not sell its gold in the first place rather than engage in a series of complicated financial operations. In terms of the preceding discussion, the answer to

this question may, perhaps, be said to revolve about a number of elements. The Soviet Union wishes to increase the acceptability of the rouble and give it the badge of convertibility. As part of this campaign it would anticipate a larger part of the world's trade being carried on in roubles. It wishes substantial lines of credit, but it does not wish to part with too much gold. The combination of these elements would make it possible to increase imports and speed up the rate of economic growth.

Unity of the Commonwealth

By THE DUKE OF MONTROSE

A speech made at the Commonwealth Parliamentary Conference recently held at Westminster.

I BELIEVE that the prosperity and unity of the Commonwealth was assured by the type of arrangements that came out of the Ottawa Agreement. Indeed, the years subsequent to that Agreement were years of prosperity for the Commonwealth, which prosperity, once established led to a general expansion of world trade to the benefit of all men. Such was the position in 1938. Then came the War, and a complete running down of all our resources, so that we emerged not only physically, but financially exhausted. This gave the opportunity to some, who gravely misunderstood the role of the Commonwealth in the world, to start pecking away at the cement that holds the Commonwealth together, and that cement is, of course, Commonwealth trade. In 1945, in

spite of pre-War experience, in spite of the proposals put forward by Lord Keynes, the United Kingdom was forced—at the price of the Washington Loan—to accept the Bretton Woods Agreement. This was the first blow—the point at which the Commonwealth took the wrong fork.

G.A.T.T.

From these arrangements followed the "General Agreement on Trade and Tariffs", which securely tied our hands. Not only were we prevented from making new trade agreements, but we could not keep the existing preferences realistically up to date. The existing preferences were in terms of money, and in a world where inflation had eroded the value of money, and if the values of these preferences were to be un-

diminished in value, they clearly had to be restated in realistic terms. In this way one might say that the essential clause of the General Agreement on Trade and Tariffs seems to be designed to break up the close association of the Commonwealth.

I believe the entry of the United Kingdom into the European Economic Community if not the final collapse, is another very substantial assault upon the edifice of the Commonwealth.

There are more ways of killing a cat than choking it with cream! It seems there are, today, more ways of destroying a Commonwealth or a Nation than by war.

If there is any meaning in words, such as those we have heard in so many speeches extolling the value of and faith in the Commonwealth, we must make it quite clear to the United Kingdom delegates here that we hope their Government will show great determination and if necessary demand a revision of the GATT Treaty, or—in a last resort—even to opt out of it. I believe that the Commonwealth countries would stand by her, even if it meant a temporary tightening of the belt. How often has it been said here that no other group of nations is so diverse in its races and creeds; how often has it been said that the Commonwealth may form a basis on which world peace may be founded—the same sentiments being expressed not only by those of us from far countries, but by delegates from the United Kingdom itself. One is forced, then, to wonder what internal

situation in the United Kingdom is driving the Government into an association that many of us believe will, in spite of denials, mean the beginning of the end of the Commonwealth, and, in passing, many of us fear would jeopardise the very position of the Crown itself. Are the financial difficulties in which the United Kingdom finds itself due to the fact that labour is not giving what it should in return for never having it so good? If this be the trouble, is the country so bereft of leadership that the position cannot be put right in any other way than by a complete sell-out, and for no better reason than that labour may be forced to higher production levels by bitter competition?

Leadership

I believe that if the British working man is given leadership, both in politics and in industry, so that politically the alternatives are made abundantly clear to him, so that in industry he is not treated merely as a cog in the wheel, but is shown that he is, in fact, a link, not only in the chain of production in his own industry, but a link in the chain of the very survival of his country, then I cannot believe that he will not make the effort required.

There is little comfort to be drawn from the procedure that has been adopted, or accepted, whereby the United Kingdom has had to apply for membership before agreeing on terms. I might be thought unduly suspicious because, in our part of the world, we have grown a little tired of various negotiations reaching 'a

point of no return' with unexpected suddenness. But, in a more widely known context, I am sure that the United Kingdom delegates, anyway, will remember that they, in spite of assurances that the Bretton Woods Agreement would be debated in Parliament, were, in fact, ultimately faced with it as a *fait accompli* sub-

sequent upon the Washington Loan Agreement. The precedents do not encourage confidence.

I put it to you, gentlemen, that we must make a most determined effort to go *forward* from where we are, to build and not to destroy the Commonwealth.

The Meaning of Accra

THE meeting of Commonwealth Finance Ministers held in Accra on 12th-14th September showed most clearly the completely different views held by the United Kingdom Government and the rest of the Commonwealth on the subject of our approach to the Common Market. On the one hand, while the British representatives seemed anxious to deal with the subjects under discussion in a piece-meal fashion, the rest of the Commonwealth showed clearly that they wished to consider the project from the point of view of the Commonwealth as a whole.

In fact, the idea so much put about by the authorities in this country, that a Commonwealth initiative would be impossible owing to the differences existing between the nations concerned, has been shown to be completely false. The Commonwealth is united on this European issue, every nation within the family with one exception, the Mother Country—Britain.

At Accra, Canada, Australia and India led the attack on Britain's plan to join the E.E.C. Strong support came from Nigeria, Pakistan and Ceylon as well as Cyprus and Ghana.

From The Monthly Bulletin of The Commonwealth Industries Association

Every Commonwealth country's representative "expressed grave apprehension and concern regarding the possible results of the initiative taken by the United Kingdom". They all reaffirmed the value and importance they attach to traditional Commonwealth trading arrangements under which most foodstuffs, raw materials and manufactures enter the United Kingdom free of duty from Commonwealth countries. They pointed out the advantages which accrue to all concerned from the preferential arrangements and reciprocal tariff concessions which exist. While the Canadian, Australian and New Zealand position had already been made clear, it was the unexpected strength of the opposition from the Commonwealth's Asian and African members which took Britain's representatives by surprise.

Relationship fundamentally altered

There have been some supporters of the idea of Britain joining the Common Market who have suggested that far from harming the Commonwealth, our membership of the European Community would streng-

then our Commonwealth association. That this is not the view of any of the other Commonwealth countries is shown by the following extract from the final communiqué issued at the conclusion of the Conference—

"Because of the inseparable nature of economic and political relationship within the Commonwealth and because of the political and institutional objectives of the European Economic Community and the terms of the Treaty of Rome it was feared by the other Commonwealth countries that United Kingdom membership of the European Economic Community would fundamentally alter the relationship between the United Kingdom and Commonwealth countries, indeed this relationship might be so imperilled as to weaken the cohesion of the Commonwealth as a whole and thus reduce its effectiveness as a world instrument for understanding, prosperity and peace."

Certain representatives of Commonwealth countries pointed out that any major changes in present Commonwealth trading arrangements would inevitably force them to realign their own trading patterns. Furthermore, it was also pointed out that the existence of the European Economic Community as a trading bloc had already led to the proposal to set up other trading blocs and that this would undermine the traditional multilateral trading arrangements to which Commonwealth countries had given their support.

It is clear therefore that the meaning of Accra is that unless far-

reaching changes are made in the Treaty of Rome, changes that will alter the whole aspect of development in the Six, it will not be possible for Britain to join without disrupting the Commonwealth.

What then are the chances of obtaining these far-reaching changes? If one studies the comments in the press since Britain made application to join the European Community, it becomes increasingly obvious that few of those with whom we are to negotiate are ready to re-write the Rome Treaty to accommodate our entry. The reception of our application has been described as cordial, but Professor Hallstein, President of the Commission, has told us very emphatically not to expect considerable concessions to be granted.

"We must continue on our road without pause if success is to crown what we have built up and in which our friends wish to participate soon" he recently told the joint session of the European Parliament meeting at Strasbourg. Professor Hallstein also made it clear that there was no intention of re-negotiating the Rome Treaty and we have been warned by other influential European spokesmen that our traditional policy towards the Commonwealth will have to be altered.

Folly !

What folly is this? The countries of the Commonwealth, with whom we do 40 per cent of our trade, who provide much of our food and most of our raw material without which our whole economy would grind to a halt, have expressed their views in no uncertain manner and with a

unanimity not often found between nations. And Britain? Are we to ignore this great opportunity? Here we have the entire Commonwealth united and asking for a Commonwealth initiative. Are we to play down the importance of this and pretend that it is just an emotional outburst by our Commonwealth friends? That is how many commentators in the press have tried to treat the Accra communiqué but the *Daily Telegraph* Common Market correspondent reporting from Strasbourg stated that there was even talk in the lobbies "that Canada and Australia might join with the United States to form a new Commonwealth without Britain".

It is also clear that while this proposed entry into the Common Market presents a real threat to the unity of the Commonwealth, it could also provide a wonderful opportunity. Every Commonwealth country has now been brought face to face

with the real issues governing their association with Britain. They speak with one voice in their determination to do all in their power to persuade us not to go ahead with our plan to join the Common Market. The final decision is with Britain. Even at this late hour, let us call a Commonwealth Conference to discuss a new Commonwealth initiative in trade. Let us call for a revision of G.A.T.T. Let us establish a Commonwealth Development Bank and other necessary financial and trading institutions. Let us strengthen the sterling area. Canada with her vast wealth might well be persuaded, in the circumstances, to consider even closer association with us.

This great opportunity is there for us to seize, and seize it we must, for the alternative is the possible disruption of the Commonwealth. That is the message which the Finance Ministers of the Commonwealth have delivered to us from Accra.

Civilization and the Colliwobbles

ALAS for the Marxist-Leninists, in addition to being well-mannered and because of our long years of tribulations, trials and misery, we in Afro-Asia have become, to a large degree, philosophers. Our philosophy being singularly free from dogmatic posturings tends to regard the ukazes of the Soviet Communists as the rather juvenile illegitimate twentieth century expression of Byzantine fulminations. For is not the tone of the present Supreme Soviet, with its paternalistic avuncularism, not un-

like that of their spiritual forebears, the Imperial Diet at Constantinople?

There is a well-know Afro-Asian saying to the effect that "Leopards never change their spots". Being convinced of this, Mr. Kruschov will excuse us if we see behind the rather threatening pseudo-paternalism of his words the sort of Holy Russian posturings that the murdered Tzar used to address to the Arabs in an earlier but not less acquisitive era of Russian history.

From The Egyptian Economic and Political Review

The Place and Functions of the Commonwealth in the World

Speech by Hon. R. A. NJOKU, M.P., Minister of Transport and Aviation, Federation of Nigeria, at the Commonwealth Parliamentary Conference.

What is it?

May I begin this short speech by reasserting that the Commonwealth is a free association of sovereign independent states together with certain dependent territories bound together by a community of interests and by fundamental ideals of party democracy and the rule of law. It is not a static organism but a product of evolution which has successfully adapted itself to change of circumstances and needs. Today it consists of 12 fully sovereign and independent states, 3 nearly sovereign states and over 45 other dependent territories at various stages of political evolution scattered all over the world.

Its evolution

What was formerly known as the British Empire became the British Commonwealth in the early part of this century, but today it has become the Commonwealth of Nations. This evolution is important because it entails the significant transformation of the original conception. In 1926 the imperial conference described it as "autonomous communities within the British Empire, equal in status, in no way subordinate one to another in any aspect of their domestic or external affairs, though united by a common allegiance to the Crown and freely associ-

ated as members of the British Commonwealth of Nations".

Further, the change of designation took place when India won her independence. This was given an important and authoritative announcement by the Prime Ministers' meeting in 1949, when India declared and affirmed her desire to continue her full membership of the Commonwealth of Nations on adopting her republican form of government. It is more in keeping and appropriate for a free association of equal sovereign states to bear a name independently of that of any member of the association, so that an impression may not be given that the equal partners in the association are still dependent on the former administering power. This latest designation is very important, especially to the sovereign states of Asia and Africa.

Its importance

The Commonwealth has been described as the most important association of its kind in the world today. It covers roughly one quarter of the world's land surface and contains about a quarter of its population. Throughout history there has never been so large a voluntary association of sovereign independent states. It is the only such organization comprising peoples of various

racess, religions, languages and cultures that the world has ever seen. Member states are playing an important part in the various continents of the world today—Europe, Asia, Africa, North America, Australia, New Zealand, the Pacific and the Caribbean. The more important a part the member states and dependent territories play in their respective areas the greater influence the Commonwealth wields in world affairs. It is therefore in the overall interests of the Commonwealth to encourage its members to play a greater role in the affairs of their own particular areas. The more influential part India, Pakistan, Ceylon and Malaya, etc., play in the affairs of Asia, the greater the influence of Ghana, Nigeria, Sierra Leone, in West Africa, the more important Kenya, Uganda, Tanganyika, Nyasaland, the Rhodesias, etc., become in the affairs of East and Central Africa, the greater the influence Canada, the Caribbean States and dependencies wield in the affairs of their own part of the world, the more powerful Australia, New Zealand, etc., become in the Pacific, the greater the influence and voice that the Commonwealth as a body will have in international affairs.

Why we are in the Commonwealth

This association rests on important fundamental ideals and beliefs which give life a real meaning and give stature to a human being, whether he lives in the frigid, temperate or torrid zones.

This new idea of the Commonwealth which endeared it to the peoples of Asia and Africa and other parts of the world was given the best expression in a message broadcast by the Head of the Commonwealth, Her Majesty the Queen, on Christmas Day, 1953: "The Commonwealth bears no resemblance to the Empires of the past. It is an entirely new conception—built on the highest qualities of the spirit of man: friendship, loyalty and the desire for freedom and peace". Her Majesty added that the Commonwealth is an equal partnership of nations and of races.

Many young nationalists in the younger and independent sovereign states in Africa and Asia often ask why our link with the Commonwealth should be maintained after independence when we have no racial affinity with the British. My answer to them is that they have not kept themselves abreast with the evolution and changes in the conception of the Commonwealth since 1947, when India, the vast and powerful sub-continent, became independent. Since that time, the emphasis placed on the essential links which bind the Commonwealth has shifted from racial and cultural links with the United Kingdom to the acceptance of certain fundamental ideals and beliefs, namely, parliamentary democracy, the rule of law, the dignity of man, equal partnership of nations and races, friendship, loyalty and the desire for freedom and peace. I submit that I have more in common with people who share these beliefs

and ideals, even if they live 10,000 miles away from me, than with those who, although they may live next door to me, do not accept these ideals and beliefs.

The Commonwealth of the world

The Commonwealth has therefore a vast reservoir of influence for good in world affairs. With its vast resources in land and manpower it is a factor to be reckoned with by world powers at any level. The Commonwealth Parliamentary Association is the premier and best organized association of parliamentarians in the world today and has the greatest opportunity of cementing friendship and co-operation among various countries sharing the same political beliefs in the world today. We only need greater enthusiasm among all

members and a larger measure of recognition, support and encouragement from our respective governments to make a fitting impact in Commonwealth and world affairs. It is my belief that with more determination and enterprise on our part we shall achieve this goal.

The world is plagued today with inter-nation and inter-bloc strife and rivalry for world domination and pre-eminence. Nay, the dark and terrible cloud of war and total destruction hangs heavily over us. But if the other nations of the world share our ideals and beliefs, these perils and dangers will disappear. It should therefore be our prime purpose to propagate and exemplify these beliefs and ideals throughout the world so as to safeguard the future of the Commonwealth and of humanity.

For a Free Market

A single market covering an area of nearly one million square miles, with 24 million inhabitants, is the aim of the new 10-year plan announced by the Government. Such an economic area will benefit not only Portugal, in Europe and Overseas, but the rest of the Western World.

IN ten years' time, as from January 1st, 1961, all barriers affecting the free exchange of goods between Metropolitan Portugal, and the Overseas Provinces will be entirely demolished. Such is the aim of the Government; and the Minister of State, Dr. José Gonçalves Corrêa d'Oliveira, announcing the scheme

for an all-embracing Portuguese market, on September 5 in Lisbon, stated that this flowed logically from the terms of the Constitution defining the essential unity of all Portuguese territories. He explained that at the end of last summer the Prime Minister Dr. Oliveira Salazar had asked him to work out a plan for

From The Anglo-Portuguese News

economic integration, and he stressed that this policy would involve much more than the gradual abolition of customs tariffs and other barriers. Indeed, to make it viable, the economic development of the various Provinces must be speeded up.

Impediments

There are at present many impediments to free trade between Portugal in Europe and her many Provinces overseas. It is gratifying that by now, we understand, there are hardly any tariffs between the Provinces themselves, and of course Macau, on the tip of Southern China, remains a free port with no Customs at all. But hard economic necessity has compelled the levying of appreciable import and export duties on trade between the Provinces and the Mother Country. So far this has been the only way of maintaining some balance of trade; and even so it is often difficult for Overseas customers to find currency with which to pay for their purchases from Portugal. Every Province has now the Escudo for currency, but quotations vary considerably.

A number of Juntas, with head-offices in Lisbon and controlling the principal agricultural exports from Angola and Moçambique, have been abolished, as from the end of the present year, and their place will be taken by a number of Institutes with head-offices in Luanda and Lourenço Marques. A very tangible benefit arising from this change is that the considerable dues levied on those

products will now be collected in Africa and not in Lisbon, thus increasing the exchange position in those Overseas Provinces.

Central Monetary Fund

Under the new scheme, a Central Monetary Fund will be created by pooling all the exchange available, and in this way it is hoped to establish an inter-regional clearing system enabling Overseas purchasers to pay promptly for what they require from Portugal.

The free trade system envisaged applies primarily to goods manufactured in Portugal from national raw products. In certain manufactures, up to 40% of foreign material may be allowed. Merchandise must be carried, whenever possible, in Portuguese ships. The first tariff reductions begin in January of next year and two years later it is hoped to do away with all duties on Overseas products coming into Portugal.

Dr. Corrêa d'Oliveira recalled that the Portuguese single market would cover 2,180,000 sq. km. (800,000 sq. miles) with a population of 24 million Portuguese citizens. Once the scheme is well under way this economic area should be of great value to the European Market. In Europe the difficulty has been to ensure a degree of political unity corresponding to the economic unity aimed at by integration schemes. The Portuguese, also seeking economic unity, have at least the benefit of complete political unity in their vast area.

A South-East Asian Common Market?

By VINCENT W. STOVE

NEED FOR CLOSE CO-OPERATION IN TRADE BETWEEN THE COUNTRIES OF SOUTH-EAST ASIA PACIFIC REGION

There is much speculation in countries of the Pacific and South-East Asia region about the possible formation of a trading area similar to the European Common Market.

THE need for such an association has been tentatively suggested on several occasions since the six European countries (France, West Germany, Italy, Belgium, Holland, and Luxemburg) formed their trading alliance in 1957. Now that the U.K. is applying for membership of the Common Market under certain conditions, there is likely to be growing activity for the establishment of a similar association among the countries of South-East Asia—particularly among the British Commonwealth countries, whose trade could be adversely affected by Britain's inclusion in the European Common Market.

Those who propose such a trading bloc in South-East Asia are not discouraged by the fact that similar proposals in recent times have met with little enthusiasm, even when the scope of such proposals was limited—the plan for trade co-operation between Malaya, Thailand, and the Philippines is one such scheme that has failed to eventuate after long negotiations.

But the need for close co-operation in trade has never been greater than

at the present time.

Members of a Hong Kong trade mission that visited Australia recently actively canvassed for the formation of a South-East Asia Common Market.

Australian opinion approves

Leader of the mission, Col. J. D. Clague, a member of Hong Kong's Executive Council and a leading business man of the Colony, said he was confident that some form of mutual trading area could be evolved.

"The area would provide two-way trade with a lowering of tariff barriers between member nations," he said.

"I believe events arising from the European Common Market will ultimately demand this new trade area."

But Australian trade officials estimate that if Britain joins the European Common Market without maintaining Commonwealth trade preferences, Australia would have to find alternative overseas markets for goods valued at £A170m.

It has been suggested that the South-East Asian Common Market

From Far East Trade

be limited mainly to the countries of the West Pacific during the initial years—Australia, Hong Kong, Indonesia, Japan, Malaya, New Zealand, the Philippines, and Singapore. When the area began to operate, India, Pakistan, and Burma could be invited to join, and possibly Thailand.

The proposal has received wide publicity in Australia, and has generally been received with enthusiasm. Sydney's *Daily Telegraph* commented:

"Although a Common Market in the full sense seems a distant ideal while the nations concerned have such different standards of living, it is true enough that South-East Asia and the Pacific must become more and more a trading unit. And it is imperative that Australia, faced with the high probability of Britain's entry into the European Common Market, should look for new markets based on geographical rather than sentimental considerations."

Ten years ahead?

New South Wales Chamber of Manufacturers President, J. D. Walker, after an extensive tour of Europe, the U.S., and Asian coun-

tries, said that there were unlimited markets in South-East Asia for manufacturers who were prepared 'to campaign for them'. He considered that a South-East Asian Common Market was 'a possibility requiring thorough investigation'.

There is little hope that a South-East Asian Common Market will be operating in less than 10 years, even if there is widespread support for establishing it—but traders believe this is no reason why negotiations between prospective members should not be encouraged.

As a force in world trade, a South-East Asian Common Market could exercise vast influence. The natural resources of countries that extend from Japan to New Zealand and from Pakistan to the Philippines have not yet been fully tabulated, let alone exploited, and the full potential of industrial development has not even reached the drawing-board stage.

In population alone the area is an enormous market—the world's biggest—and offers vast prospects for exports and imports. Especially will this be so when living standards in some of the more densely populated countries are lifted by increased development and production.

Agricultural Level

AN acre of land in New Zealand yields more farm produce than an acre anywhere else in the world. Nature provides the abundant rain and the equable temperature, but the key to high production is that the farmer makes scientific use of soils that are not naturally of high fertility.

From Forefront : A Monthly Survey of N.Z. Affairs

Rural Economy

AGRICULTURE—WORLD PROBLEM NUMBER ONE

From the Correspondent of *Prospects*

EVERYBODY today knows the grim truth that more than half the people living on earth have only just enough food to support life. Every year, more than 30 million human beings die of starvation. Disease carries off millions prematurely because, owing to undernourishment, scanty clothing and wretched housing, their vitality is so low. By far the major part of the population of the less-developed countries is perpetually underfed.

Beyond doubt, this has been the root cause of most of the social and political upheaval occurring ceaselessly in all parts of the earth since World War Two. Ideological causes are only secondary.

Up till now, the problem of feeding the world's growing population adequately has not been tackled by united, consistent, effectual effort.

Recently, the FAO—Food and Agriculture Organization—of the United Nations, headquartered in Rome, inaugurated the "Freedom from Hunger" campaign.

Explaining the purpose of this concerted action when lecturing at St. Gall, Switzerland, on "Problems of the Less-Developed Countries", Dr. Binay Ranjan Sen of India, General Manager of the FAO, admitted that, world conditions being what they are, the problem of abolishing hunger altogether is insoluble, simply because, for the world as a whole:

- (1) the increase of population far

exceeds the rate at which the production of food could be augmented and

- (2) there is obviously a limit to the amount of food obtainable from land and sea.

Mounting mouths

In 1961, the population of the world reached 3,000 millions. If the present rate of increase continues, the population of the world in the year 2000 will exceed 6,000 millions. Merely to keep all fed as well as now, the production of grain—said Dr. Sen—would have to be doubled and that of food of animal origin—milk, eggs, meat, fish—trebled by the year 2000. To nourish all adequately, indeed, the supply of food of animal origin would have to be quadrupled. For reaching that goal, the area of land devoted to agriculture and pasturage could hardly be increased enough, however much the fertility of the soil were enhanced. What additional food the sea might be made to yield is still a matter of scientific conjecture (Troebst: "*Der Griff nach dem Meer*" 1960).

By exploiting in full all the advances in science and technology, the rate of food production could certainly be greatly accelerated. By checking the mischievous practice of land fragmentation—the average size of farms in Common Market countries is less than 20 acres—, by switching from farming on the one-family scale to the group cultivation

From Prospects, Business News Survey, Swiss Bank Corporation

of land in larger units so that all farm work could be mechanized, by co-operative marketing, by swamp drainage, water-conservation, irrigation and collective measures to stop land-erosion, by the rotation of crops, by the right use of fertilizers and weedkillers, by ruthless war on plant and animal diseases, by sowing only selected seed, by breeding more fruitful strains of plants and animals, by the use of nuclear isotopes to propagate new breeds economically more profitable, by efficient veterinary service, by using cold storage, domestic refrigerators and silos to minimize waste and by canning and packing all surplus produce, the quantity of food available for human consumption could undeniably be multiplied. But, except regionally, the cost would be prohibitive. The scale of operation at the start would for that reason have to be relatively small. No worldwide plan would be feasible.

Pioneer efforts

Up till now, pioneer attempts in some less-developed countries—for example, India—to solve the food-supply problem along these lines have been only partially successful. Most unenlightened peasants are reluctant to co-operate. Qualified instructors in far greater numbers than yet available are needed to use persuasion to overcome inertia. Only ocular demonstration—not eloquence alone—works. Only results convince. Instruction must be individual till new ways of farming have won adoption. That takes time. In India, for example, about 85% of the people are illiterate. So, at first, the work of enlightenment is handicapped by the heavy cost.

But from the remarkable achievements in operations on a restricted scale overseas, it is undeniable that expansion of food production great enough to relieve distress appreciably is possible wherever enough capital and know-how can be made available and the right methods are practised.

In the Soviet Union—according to the most recent official statements available—42% of all employed persons are engaged in agriculture. Up till now, the grade of nourishment provided, compared with that in Western Europe, is undeniably modest. Even though much of the land farmed is virgin soil, usually more fertile than the average, no appreciable increase in the production of grain per hectare ($2\frac{1}{2}$ acres) has been recorded during the current seven-year-plan period.

In the Soviet zone of occupied Germany, formerly a great exporter of surplus food, production—by official admission—has fallen disastrously since the private ownership of farms was abolished. Riots among industrial workers, protesting against the short supply and inferior quality of butter, meat, eggs and cheese, have revealed that distress in 1961 has been spreading. Similar tumult in other satellite states is frequent.

Unsaleable surplus

In the U.S.A., less than 10% of the working population are engaged in agriculture and forestry. Nevertheless, after all demand for food from the home market has been satisfied and great quantities of food exported, the unsaleable surplus keeps increasing year by year. One American farmer grows enough food

to provide 24 persons with abundance.

This clearly demonstrates what would be possible, in the light of present knowledge, if the problem of augmenting the food supply of the world were attacked seriously by a common effort as conceived in the "Freedom from Hunger" campaign of the FAO. By adopting methods like those so conspicuously successful in the U.S.A., less-developed countries could quickly increase the output of food enough to alleviate their own acute want, provided the tools and the know-how were available and put to use.

Progress towards the goal of the "Freedom from Hunger" campaign would primarily depend on the availability of capital on a substantial scale and the rate at which enlightenment could be imparted. But before the fight against starvation could yield results on a measurable scale, a vast amount of public money would have to be spent on "infrastructure"; the building and equipment of ports, roads, railways, bridges, canals, airfields, power works, transmission cables, telephone services, pipelines, water supply, reservoirs, drainage, sewerage, sanitation, refrigeration, hospitals, schools and—homes.

Before these have been installed at public cost, no great contribution towards help for the less-developed countries could be expected from private investors. Very little risk capital could be made available yet by any of the less-developed countries themselves. Whereas, in the U.S.A., the average income per head is about \$2,000 a year, in Switzerland \$1,100, in Great Britain \$850, in the Soviet Union—at the official rate of exchange—\$550, so that in

these countries new capital is being formed continuously by thrift, in most of the less-developed countries the average yearly income per head is as little as \$50. That hardly covers the most primitive needs. To do business with these countries providing them with equipment depends on the possibility of granting at least ten years' credit.

But however broad the scale of operations to relieve distress ultimately became, no genuine headway in fighting worldwide undernourishment could be made unless the frenzied natural increase of population in the less-developed countries could be checked. Results in India exemplify this. By the year 2000, billions would still be starving. Science has not yet discovered any simple and harmless way by which the rate of population growth could be regulated. Nor is there any sign that people would use it if it existed.

Self-help

Today, in the more-developed countries, the problem of agriculture is quite as momentous as in the less-developed countries but instead of under- is one of surplus production. Food production in the Common Market is now enough to satisfy about 90% of consumption, notably of potatoes, vegetables, wheat, sugar, butter, pork. The crucial fact is that the agricultural problems of the less- and the more-developed countries are inseparable because complementary. Experience has shown that nothing durable can be done to relieve distress by sending gifts of the more-developed to cover the deficit of the less-developed countries. Only self-help is effectual.

After World War Two, when all

Europe was devastated, no country had enough foreign exchange to pay for the import of food. All tried to raise the maximum amount possible from its own soil. To achieve this, every Continental country adopted a highly protectionist policy. Great Britain did exactly the opposite. Purchases from Commonwealth countries could be paid for in sterling. Foodstuffs from the Commonwealth were admitted to Britain duty-free. At first, Britain made no serious attempt to increase her own production of food. Later, British farming became highly mechanized. Britain is still Europe's largest importer of food but only 4% of her total employed workers are engaged in farming. The increase of production since 1945 is 70%. These 4% produce more than half the "temperate" food consumed in Britain. In the course of years, this divergence in policy led to profound differences in the pattern of trade and in the structure of the economy in Britain on the one hand and in Continental countries on the other.

No compromise

Here lies the crux of the whole integration problem. By the Treaty of Rome, the ultimate aim of the Six is the formation of an all-European tariff-free market of about 300 million consumers. This would require "a common customs tariff, a common trade policy, a common policy in agriculture". On that there could be no compromise. There is often difficulty in understanding why.

Under the Marshall Plan, whose avowed purpose was to bring about the economic integration of Europe, post-war tension among the 17 countries of the former O.E.E.C.

was greatly relieved by the gradual liberalization of trade within the group, of which Britain was a member. As far as trade in industrial products was concerned, most of the impediments were finally removed.

But in agriculture, every Continental country clung tenaciously to its own protectionist system, while Britain stuck to freetrade as far as foodstuffs from Commonwealth countries were concerned. About 94% of the butter, cheese and mutton exported by New Zealand is marketed in Britain. The upshot was that while "tropical" products like tea, coffee, cocoa, dates, figs, nuts, palm oil, rice, cotton, jute, hemp, rubber are imported by all, as regards "temperate" foodstuffs, Continental Europe as a whole is nearly self-supporting. The snag is that most Continental countries produce a surplus of certain food specialties, exceedingly difficult to export because of the highly protectionist policy of other European countries.

Oversupply depresses prices on the home market to the detriment and discontent of the producers whereas consumers find the prices of food imported from other European countries too high.

Protectionist policies

Inside the Common Market itself, the rigid adherence to protectionist policies in agriculture is the greatest obstacle to the implementation of the Treaty of Rome. The Six do not propose to abolish, but merely to co-ordinate their policies, aiming at ultimate identity. All Six still demand effectual measures safeguarding their markets against competition from cheap food grown overseas. There is no question of the

admission duty-free to the Common Market of food grown anywhere outside, for example, from the Commonwealth.

One reason why France and Italy hailed the Treaty of Rome was the prospect it opened of the expansion of markets for farm produce inside the Common Market—above all in Germany—where their surplus food would be saleable at profitable prices.

Full employment

About 23% of all workers in the Common Market are employed in farming. They produce enough food to cover about 87% of the demand of the Six for "temperate" food. These workers wield great political power. All governments today are committed to a policy of full employment. Besides that, farm workers now demand a standard of living comparable with that established for workers in industry.

These demands could be satisfied only if all impediments to the marketing of foodstuffs throughout the Common Market were lifted, that is to say, if all six countries adopted the same conditions at the same time, as provided for by the Treaty of Rome. A transition period of 12 years or more was envisaged. Until this freedom of movement is achieved, the net profits from the sale of farm produce, if any, will remain low. Oversupply would prevail everywhere.

If all the obstacles to the free movement of food were lifted, the way to a solution of the problem of agriculture would be open. But owing chiefly to protectionist tariffs, the price levels in the six countries are different. Price levels must be

brought into alignment gradually. No country dares to make abrupt changes for fear of throwing a great number of people out of work. Unless conditions in agriculture become the same throughout Europe, European economic integration will not be feasible.

As far as agriculture is concerned, the Six ardently desire that Britain should accept the Treaty of Rome as it stands because this would permit an expansion forthwith of the market for their surplus foodstuffs. The alignment of price levels on the Continent could then be accelerated. But the Six would have no incentive to admit Great Britain unless the import of food from the Commonwealth were curtailed.

To safeguard her farmers the British government pays a subsidy known as a "deficiency payment" to the individual farmers, whenever the price they obtain is less than the market price of imported food. By the Continental system, the consumer pays. By the British, the taxpayer.

Until the Six have solved their own problem of agriculture, little eagerness to join any common effort to create markets for food from the less-developed countries overseas could be expected.

Outlook sombre

So, for the moment, the outlook for the less-developed countries overseas is sombre. This is unfortunate. Without assured markets and reasonably stable prices, no solution of the problems of the less-developed countries overseas is possible. Realizing this, the Soviet Union, for political reasons, offers to

supply these countries with certain industrial products on very long credit or to take payment in soft currencies or in kind. Burma pays in rice, Ceylon in rubber, Syria in cotton. The quantities involved are not large but the psychological effect great.

Discussing the outlook, Lord Gladwyn said recently: "If we accepted the Treaty of Rome, we should gradually surrender the right to make decisions affecting our economy to organizations we should be able to influence strongly but not to dominate. . . . There is really no alternative. . . . Those who argue that it is a choice between Europe and the Commonwealth fail to realize that the continued strength of the British Commonwealth might well depend on our . . . sharing the economic development of Europe."

If Britain joined the Six, the Commonwealth could not count on a continuation of free access of foodstuffs to Britain. The assumption however is that the duties of the common tariff on food would be kept as low as possible. The exact levels would be fixed by bargaining. Britain could quite fairly urge that her inclination to join the Common Market would be much greater if the Commonwealth countries were allowed to become "associated territories" of the same status as the former French colonies.

Ultimate aim

As ultimate aim, many leaders of opinion envisage the creation of a still wider union of Western countries embracing all Europe, the Commonwealth and the U.S.A. with

aims identical with those of G.A.T.T. Only such a community would have resources enough to raise the standard of living in the less-developed countries overseas quickly.

No victory in the "Fight against Hunger" campaign could be expected until the problem of agriculture is tackled by worldwide co-operation on a single, co-ordinated plan as conceived by the FAO.

If the world were not split ideologically, fear of war would not exist. Immense resources now spent unproductively on armaments would be available for fighting starvation and raising the standard of living in all less-developed countries. The problem of growing enough food to feed all could be solved far more quickly, cheaply and easily. Europe would no longer feel impelled to grow enough food itself to cover her own needs in case of emergency. Conceivably, a form of "Marshall aid for Underfeds" might be organized whereby, instead of making loans in dollars, governments might buy up surplus foods in more-developed countries, making it available to underfed countries to pay local workers on infrastructure projects.

Demand for food and raw materials to supply over 300 million people in Europe economically integrated whose productivity would be increasing continuously would absorb all the surplus the less-developed countries had to export. The economic balance of the world would be established. By thrift, the less-developed countries could themselves accumulate investment capital as fast as it were needed to finance further development.

Readers' Commentary

BEST SIZE FOR TOWNS

Sir,

I was interested in your notes by Mr. D. Hodjaye, the Russian architect.

It has long been a matter of amazement to me that nobody, least of all the Planning Authorities, seem to be aware that Towns and Cities, like all things, are one and all are subject to the Law of Diminishing Returns. Towns and Cities are the most susceptible to this Law.

Any bridge design has a limiting span beyond which it collapses of its own dead weight. Any transport system has a limiting radius depending upon the carrying capacity of its unit and other factors. So, too, Towns have a limit beyond which they collapse of their own transport problems. When will this fact sink into the minds of the Authorities concerned?

The respective ratios of dwellings

to factories, offices, shops, etc., and the roadage required can readily be ascertained. Given this and by the use of the Maxima and Minima principle of the differential calculus it is a simple matter to calculate the maximum size of Town which should not be exceeded.

The answer lies in a greater number of smaller Towns connected with a speedy, frequent, cheap and efficient Train or Transport service.

Our starry eyed motor industry will not be happy until the whole place is covered with concrete as their happy playing ground—until they remember that there is nothing in the larder!

Yours faithfully,

R. F. BARTLETT.

Arborfield,
Bon Accord Road,
Swanage.
5th September, 1961.

SOCIAL CREDIT FALLACIES

Sir,

As a would-be credit-reformer, Douglas failed to perceive that credit is only a derivative from, and secondary to, money. Goods must come first, then money, among the first principles of the economic society. As there is normally an increase in production (the leading forward of goods), so there should be a corresponding increase in money, proflation (the wafting-forward of goods-tickets), as money is only a goods-

ticket, in order to maintain the desired balance between goods and money. If 100 tons of goods require £200 to circulate them, 150 tons must require £300, other things being equal.

The increase is the factor of upset, unless it is dealt with in some way. This is true, whether in the pre-barter, or the barter, or the money, or the money-and-credit economy. Production in any of these economies is agricultural as well as industrial,

domestic as well as co-operative or factory. Unless, therefore, a farm-analysis or factory-analysis goes back to the first principles of goods and money, it is inevitably unsound.

Douglas was a qualified engineer (in raw materials), but he did not understand the engineering of ideas (dialectics and philosophy) or the engineering of institutions (olitical science). It is significant that in 1922 Orage and he shirked a meeting with half-a-dozen Labour experts, including Sidney Webb, who sponsored Mr. Theodore Harris' classic monograph on The Guernsey Scheme, when the Estates printed Guernsey Notes in a rough-and-ready debt-free proflation, in order to finance both capital development and consumer goods, to restore the Island to prosperity, and give the community some of its unearned increment.

Among Webb's colleagues were Dalton, Cole, Hobson, Tawney and some union leaders, so if Orage and Douglas had had a sound analysis and a practical scheme, what more marvellous opening could they have had? With such a mixed jury, any advocate with a genuinely good case would have soon found supporters to side with him, against obstruction among their own colleagues. With a

fair trial, Truth in the open will rarely, if ever, fail.

From the verbatim report, Douglas' evidence before the Macmillan Commission in 1930 showed him on the defensive all the time, quite unable to control the interview and get either his hearers or himself down to first principles. In 1956, the New Zealand Royal Commission made a close examination of Social Credit submissions and evidence and then found that "the Social Credit witnesses and counsel were seriously at variance, not only with other social crediters who appeared before us, but also among themselves. They made significant withdrawals in matters of substance"; even the factory-theorem "was virtually discarded". (New Zealand Royal Commission, para. 970a, p. 211.) Social Credit was intended as an analysis of, and solution for the economic problem; in the event, it turned out to be a confusionist cult, like modern "socialism", supported by well-meaning people, but quite unable to get down to the first principles of production and production-finance.

Yours faithfully,

W. H. WAKINSHAW.

16 Avenue South,
Surbiton.
7th September, 1961.

THE EARL OF CROMER—continued

factory answer being found to the questions which he has posed depends the future greatness of Britain and

her ability to play a proper role in the affairs of the Commonwealth and the World.

Digest Reviews

NEW INTERNATIONAL DIMENSIONS

New Dimensions in Foreign Policy. A Study in British Administrative Experience 1947-59. By Max Beloff. George Allen and Unwin; 25s.

The Law of International Institutions in Europe: Being an Account of some Recent Developments in the field of International Law. By A. H. Robertson, B.C.L. (Oxon.), S.J.D. (Harvard). Manchester University Press/U.S.A.: Oceana Publications Inc.; 18s.

In Britain's approach to Continental Europe and her future relationship, and that of the Commonwealth's, to the Continental Communities, the skill, patience and robustness of her civil servants and international civil servants may prove of decisive influence. The Gladstone Professor of Government and Public Administration at Oxford has presented his enjoyable and thorough study at a moment when, in his own words, "British policy is being subjected to serious reconsideration for the first time since 1947"—his starting date. While they may have "pooled", whatever that exactly means, British sovereignty, British Ministers and bureaucrats have endeavoured hitherto to guard it, while taking it for granted. Their preference for inter-governmental organs is brought out in Professor Beloff's pages and he rightly observes that the eclipse of Westminster and

Whitehall would not be lightly accepted by the electorate of the British Welfare State. Due weight is also given to the Commonwealth and sterling area as constant factors in national policy and policy-making.

The "institutional" question, relevant to both these useful books, is one of many problems facing the United Kingdom and her partners and the E.E.C. Those who want a lucid and concise account of the proliferation of European international and supra-national institutions will be well served by Mr. Robertson's admirable account.

RADICAL REFORM

The Stagnant Society. By Michael Shanks. A Penguin Special; 3s. 6d.

Michael Shanks analyses the challenge presented by the more rapid rate of economic growth in the Soviet world, and among the Continental powers of Western Europe. He suggests that the poor showing by Britain in this economic race is due to a failure of leadership. There is also unwillingness to accept the necessary social and political disciplines which would enable growth to take place.

The author also suggests that we have lost that sense of unity as a people; instead we have a medley of conflicting interests. Different social classes hardly know how to speak the same language. Turning to the Trade Union movement Mr. Shanks

claims that they still live in the past and have failed to adjust themselves to modern needs, and he proposes a radical programme of internal reform with a greatly strengthened T.U.C. as a necessary first step towards the establishment of some form of central planning of wages and economic policy generally. This to be carried out jointly by the Government, the T.U.C. and the employers' organizations.

On the international field, Mr. Shanks argues strongly for British entry into the Common Market, but he considers this should be a first step to a bigger grouping which would include the Commonwealth as well.

SHORTER SCRUTINY

Essays in the Economic and Social History of Tudor and Stuart England. Edited by F. J. Fisher. Cambridge University Press; 30s.

This collection of essays has been published as a tribute to Professor R. H. Tawney and his work as an economic and social historian of Tudor and Stuart England. Among the nine contributors are Christopher Hill, Maurice Beresford, Joan Thirsk and Laurence Stone. Professor Fisher edits the volume and contributes an essay entitled "Tawney's Century".

Economics. By Paul A. Samuelson. McGraw Hill; 58s.

Professor Paul Samuelson has provided a completely revised and rearranged fifth edition of his masterly

introduction to economics. It covers a wide field and provides sufficient material for a full-year course.

Radical Reaction. Edited by Ralph Harris. Hutchinson; 25s.

Published for the Institute of Economic Affairs, this book brings together the first six essays published in the *Hobart Paper* series. Contributors include Graham Hutton, A. P. Herbert, Arthur Seldon, Anthony Vice and B. S. Yamey.

Punjabi Century 1857-1947. By Prakash Tandon. Chatto and Windus; 21s.

Mr. Tandon has provided an authentic and very interesting account of the great changes which have taken place in Indian society in the comparatively short space of time covered by three generations. His grandfather lived in pre-British Punjab; his father worked for the British and he himself has become one of the top people in the new Indian managerial society.

Political Africa. By Ronald Segal. Stevens; 50s.

This useful reference book is primarily a Who's Who of the leading political personalities in Africa. It includes an account of the aims and histories of more than 100 parties, the first part of the book being devoted to Political Personalities and the second to Political Parties. It is fully cross-referenced and provides a very useful reference book for all those concerned with African affairs.

The Promised Land. Memoirs of Shmuel Dayan. Introduced, Edited and arranged by Yael Dayan. Translated from the Hebrew by Sidney Lightman. Routledge and Kegan Paul; 25s.

Shmuel Dayan is a member of the Knesset and father of the able and energetic Israeli general of the triumphant Sinai campaign. He tells here of early pioneering in and on the land of Palestine. Dayan went there first in 1908. Later in his fascinating book we find ourselves in the tragic closing period of the British Mandate—with all its might-have-beens.

The Common Market: Its Structure and Purpose. By J. F. Deniau. Barrie and Rockliff with Pall Mall Press; 15s.

This is the second edition of a clear and concise account of the European Common Market by a talented *Inspecteur des Finances* whose appointment at the Commission of the European Economic Community has particular concern with questions affecting the European Free Trade Association and "third" countries generally. The historical antecedents are very briefly traced.

The Economists' Bookshop

THE Economists' Bookshop, founded in February 1947, was the first bookshop in the country—probably in the world—to specialize in economics and the social sciences. Its manager, Mrs. G. Kvergie, had been a pioneer before, when she founded the first English bookshop in Vienna before the last war at the age of only 19. In between she spent many years in bookselling at Cambridge, and recently she also entered publishing, as a director of Gerald Duckworth & Co.

The little bookshop in Clement's Inn Passage was originally intended to serve the needs of the staff and students of the London School of

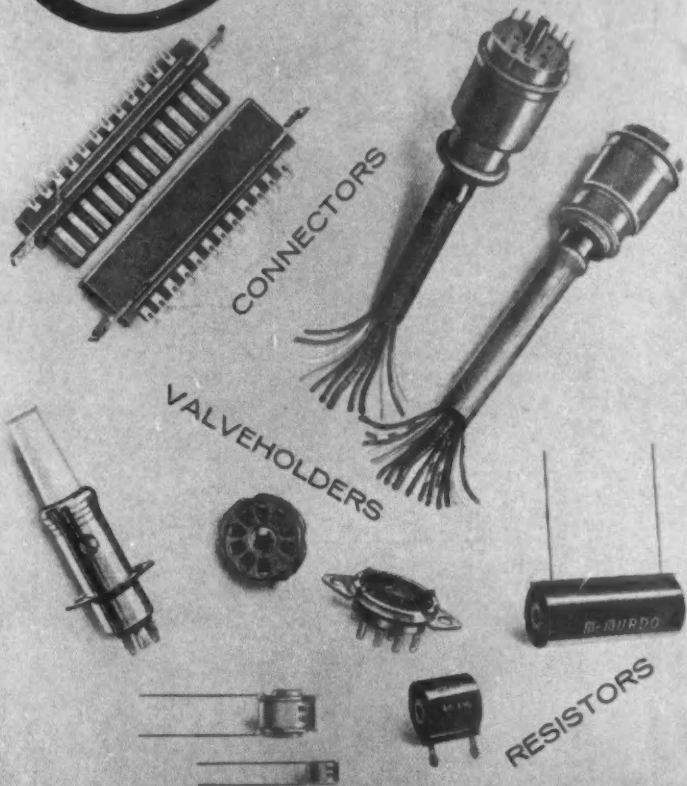
Economics and Political Science, but over the years it has had an almost embarrassing success and now caters for a much wider public altogether.

Business has grown to such an extent that pressure on space has become intolerable, both for customers and for the staff. The Economists' Bookshop has become a familiar London landmark, but it has also become thoroughly inconvenient. A move to more spacious premises was long overdue. The new building to which the bookshop has now moved is on the site of the old St. Clement's Press, at the corner of Portugal Street and Clare Market.

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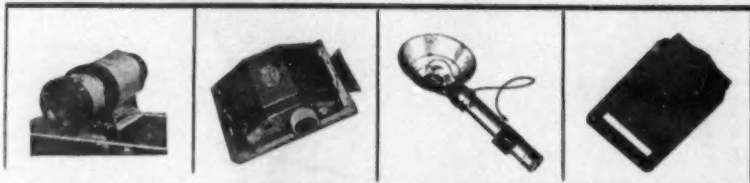
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